

LIBERIA

Recent Developments

by

THE INTERNATIONAL TRUST COMPANY OF LIBERIA

These notes bring the chapter up to date to 1 November 1977. They should be referred to whenever using the chapter.

Title page. For "Liberian Services, Inc." read "The International Trust Company of Liberia".

Page 8. Add V BIBLIOGRAPHY

The Liberian Corporation Law of 1948, as amended to July 1973, 22 pages, printed 1973 by The International Trust Company of Liberia under authority granted by the Liberian Government.

The Liberian Business Corporation Act (1976), 111 pages, printed by the International Trust Company of Liberia under authority granted by the Liberian Government.

The Liberian Associations Law (1976), 188 pages, printed by the International Trust Company of Liberia under authority granted by the Liberian Government.

The Liberian Internal Revenue Code Income Tax Law (1977), 21 pages, printed by the International Trust Company of Liberia under authority granted by the Liberian Government.

Liberia as a Corporate Domicile—A Service for Attorneys, published by The International Trust Company of Liberia, 10 pages, reprinted 1977.

Liberia as a Corporate Domicile—Documentation Requirements and Schedule of Fees, published by The International Trust Company of Liberia, 26 pages, revised 1977.

LIBERIA

by

LIBERIAN SERVICES, INC.

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The law is stated as at 1 July 1974

LIBERIA

I GENERAL INFORMATION

1 Government

The Republic of Liberia¹ was proclaimed in 1847 and has enjoyed independence and stability since its formation. The constitution is of the federal type. There is a bicameral legislature consisting of a Senate and a House of Representatives.

Liberia maintains its own diplomatic and consular representation in most of the important countries of the world and at the United Nations.

2 Legal System

The Liberian Code of Laws of 1956 codified the existing laws.

Titles of particular interest are:

Title 4 (Associations Law)—

Chapter 1 (Corporations);

Title 22 (Maritime Law)—

together with Maritime Regulations promulgated by the Commissioner of Maritime Affairs;

Title 35 (Revenue and Finance Law)—

Part II (Internal Revenue Code)

Chapter 6 (Income Tax).

The above laws are published by authority granted to The International Trust Company of Liberia by the Liberian Government. Copies may be obtained from:

The International Trust Company of Liberia, 80 Broad Street,
Monrovia, Liberia;

Liberian Services, Inc., 103 Park Avenue, New York, N.Y. 10017;

Liberian Services, S.A., Pelikanstrasse 37, 8001 Zurich, Switzerland.

The complete laws of Liberia are available in a series of printed volumes from Cornell University Press, Ithaca, New York, U.S.A.

¹ The country has a land area of over 43,000 square miles or 111,350 square kilometres and a population of approximately 1,000,000.

3 Communications

There is easy access to major commercial centres elsewhere.

Overseas telephone and telex services are available. The Free Port of Monrovia and the newer port of Buchanan are among the most modern ports on the west coast of Africa. Monrovia is a regular port of call for major steamship lines operating from Europe, the United States and the Far East.

Robert~~s~~ International Airport, outside Monrovia, is served on regular direct schedules from the United States and Europe by major airlines.

Airmail postal service between Liberia and major world cities is generally good.

4 Language

The official language of commerce and government is English.

5 Political and Economic Stability

Liberia enjoys stability of government and of national policy.

Large scale long-term investments in the rubber and iron ore industries by foreign and domestic interests assist in providing a favourable balance of trade.

In recent years Liberian trade has dramatically expanded due to a positive government attitude towards private investment. Though jealously guarding her sovereignty, Liberia has welcomed foreign investment and respected investors' rights, in the context of a policy aimed at the development of her resources to the full.

6 Currency

The United States dollar is legal tender. Liberian coins circulate interchangeably with United States coins in denominations up to \$1.00.

There are no currency regulations or exchange controls exercised by Liberia.

II LEGAL ENTITIES

I "Non-Resident" Corporations

For the purposes of this part, a "non-resident" corporation is defined as one whose stock is held at least 51% by persons not resident in nor citizens of Liberia, and whose corporate income is derived from sources outside Liberia.

(a) Incorporation

Three or more persons, the incorporators, may organise a Liberian corporation by signing a Certificate of Incorporation which is filed with the Minister of Foreign Affairs of Liberia. Incorporators may be of any nationality and may reside anywhere.

*The certificate of incorporation must include:*¹

(i) *Name*—The name of the corporation must include the word "company" or "corporation" or have words or an abbreviation to indicate that it is a corporation—for example:

Limited	Limitada
Société Anonyme	Société par actions
Sociedad Anonima	Aktiengesellschaft
Corp.	Inc.
Ltd.	Ltda.
S.A.	A.G.

The name of the corporation may be written in any language.

(ii) *The General Nature of the Business to be Transacted*—The organisation of a corporation to carry on banking or insurance business is prohibited without special arrangements with the Government of Liberia.²

(iii) *Capitalisation*—A statement of the maximum number of shares of capital stock which the corporation is authorised to issue. This number may be changed by an amendment to the certificate of incorporation. The board of directors may issue any amount up to the maximum authorised. The capital of Liberian corporations may be expressed in any currency. Shares may have par value or may be nominal and without par value. Par value shares may be authorised for issue by the board of directors at par or any value above par, for instance, at the market price. The board of directors may not issue par value shares for less than par value.

¹ Corporation Law, s. 2.

² *Ibid.*, s. 47.

Shares without par value may be issued at any value set by the board of directors at the time of issuance, and no value is stated for them either in the certificate of incorporation or on the face of the share certificates.

Bearer shares may be authorised and issued, provided they are fully paid and non-assessable.¹

Provision may be made for stock of different classes, with different preference rights as to dividends, voting, etc. Preference shares may be redeemable.

(iv) *Initial Capital*—A statement of the amount of capital with which the corporation will begin business—at least \$500 or its equivalent in any foreign currency paid in before commencing business (calculated at the official rate of exchange with United States dollars).

(v) *Existence*—A statement whether the corporation is to have perpetual existence or whether its existence is to expire at a definite date.

(vi) *Domicile*—The domicile of the corporation is normally Monrovia, Liberia. The certificate of incorporation must also specify the name and domicile of the corporation's Resident Business Agent which will be The International Trust Company of Liberia, Monrovia. The corporation need not be present in Liberia in any other way than through the presence of its statutory Resident Business Agent. The company does not need to carry on operations in Liberia.

(vii) *Directors*—The names and addresses of the original directors. The corporation must begin existence with at least three directors. There is no nationality requirement for directors of Liberian corporations.

Original directors can be provided by the Trust Company at no charge, and their resignations are returned with the certificate of incorporation. Maximum and minimum numbers of directors may be stated in the charter thus allowing the board of directors to expand and contract as business requires.

(viii) *Incorporators*—The names and addresses of the incorporators who subscribe the certificate of incorporation, and the number of shares each agrees to take. Incorporators can be provided by the Trust Company at no additional charge, and their transfers of subscription will be returned with the certificate of incorporation.

(ix) *Regulation of the Business*—The incorporators may insert provisions for the regulation of the business and for the conduct of the affairs of the corporation.

(x) *Indemnity*—It must be stated whether or not the officers and directors of the company, its subsidiaries, and other persons who have served at the request of the corporation, are to be indemnified for expenses incurred in connection with the defence of any action brought against them for having acted on behalf of the corporation.

¹ Corporation Law, s. 13.

(b) *General Observations*

(i) *Domicile requirements*—These are extremely flexible since:

- (i) directors,¹ officers,² stockholders and incorporators may be of any nationality and may reside anywhere;
- (ii) meetings of stockholders³ or directors⁴ may be held anywhere in the world; stockholders⁵ and directors⁶ may attend meetings by proxy;
- (iii) the corporation's executive office (i.e. where its records are kept) may be located in any country;
- (iv) the connection the corporation need have with Liberia is simplified, i.e. the maintenance of The International Trust Company of Liberia as statutory Resident Business Agent⁷ in Liberia.

(ii) *Anonymity* is easily preserved since:

- (i) all or part of the stock issue may be in the form of registered or bearer shares;
- (ii) after incorporation, any change of officers and directors need not be recorded in a public register;
- (iii) the Resident Business Agent is not required to file any reports with the Government regarding corporate activities.

(iii) *Formation* is rapid (see also "accelerated incorporation procedure", below) since:

- (i) by using one of the Trust Company's special services and one of its model charter forms, corporate existence is usually obtained within 48 hours;
- (ii) if an attorney drafts his own charter, corporate existence can normally be obtained within two business days after the arrival of papers in Liberia; and
- (iii) in any case, a cable from Liberia will advise the date of corporate existence of the new corporation which can then be organised and transact business.

(iv) *Costs*—

(1) Upon incorporation:⁸

\$2 per \$1,000 of par value of stock up to \$125,000 of authorised stock,
50c per \$1,000 of par value of stock in excess of \$125,000 up to \$1,000,000,

¹ Corporation Law, ss. 25 (c) and 28.

² *Ibid.*, s. 28.

³ *Ibid.*, s. 21.

⁴ *Ibid.*, s. 25 (g).

⁵ *Ibid.*, s. 23.

⁶ *Ibid.*, s. 25 (e).

⁷ *Ibid.*, s. 44.

⁸ *Ibid.*, s. 43.

25c per \$1,000 of par value of stock in excess of \$1,000,000 up to \$2,000,000,

10c per \$1,000 of par value of stock in excess of \$2,000,000.

Alternatively, for stock without nominal or par value,

20c per share up to 1,250 authorised shares,

5c per share in excess of 1,250 shares, up to 10,000 shares,

$\frac{1}{2}$ c per share in excess of 10,000 shares, up to 20,000 shares,

$\frac{1}{10}$ c per share in excess of 20,000 shares.

In all cases the minimum capitalisation tax is \$100.

The following fees are:

payable to the Liberian Government—	
capitalisation tax ¹	minimum \$100
stamp duties and miscellaneous fees	approximately 15
payable to the Trust Company (including \$150 for first year as Resident Business Agent)	
	500
Total (minimum)	\$615

- (2) After incorporation, annually on the corporation's anniversary date, the following fees are:

payable to the Liberian Government—	
corporation registration fee ²	\$100
payable to the Trust Company—	
Statutory Resident Business Agent's fee	150
Total	\$250

There are no other mandatory fees or charges either upon incorporation or later.

(v) *Minimum Capital Requirement* is \$500 or its equivalent in foreign currency at the legal rate of exchange. The capital contribution may be made in kind.

(vi) *Administration; Statutory Records; Auditors*—The stock book³ must be kept up to date at the corporation's office. There is no statutory requirement for registration of directors or mortgages. No annual financial or other returns need be filed in Liberia.

There is no statutory requirement for the appointment of auditors.

(vii) *By-Laws*—By-laws need not be filed in the public records. There are no statutory model articles such as the United Kingdom's Table A.

(viii) *Amendment of the Certificate of Incorporation; Dissolution*—A Liberian corporation may amend its Certificate of Incorporation or be dissolved and wind up its business in accordance with provisions set out in the Liberian

¹ Invoiced by the Trust Company on behalf of the Liberian Government.

² Corporation Law, s. 48.

³ *Ibid.*, s. 45.

Corporation Law¹. Model forms to assist therein are available from the Trust Company or its Correspondents.

(c) Standard Incorporation Procedure

Attorneys may form Liberian corporations directly with the Trust Company or through its Correspondents. The procedure is as follows:

(a) The original of the certificate of incorporation, submitted by an attorney, must be signed by the incorporators. Their signatures must be acknowledged before an authorised official or notary public located in the country where the certificate is signed. Next, the signature of the public official or notary public should be authenticated by a Liberian consul (when executed outside Liberia). Upon request, the Trust Company will provide incorporators and/or original directors at no additional charge. This eliminates the requirement for authentication by a local notary and Liberian consul.

(b) The signed and acknowledged original and four signed copies should be sent by airmail to The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia, or to a Correspondent. If certified copies are desired, additional copies should be furnished.

(c) Corporate existence is usually obtained within two business days after arrival of the papers in Liberia. Cable advice of existence is sent by the Trust Company. (Formation meetings are dealt with below.)

(d) When processing has been completed, the Trust Company will return the approved original of the certificate of incorporation and the related papers.

(d) Accelerated Incorporation Procedure

Liberian corporations may be formed within about 48 hours if the special facilities of the Trust Company and its Correspondents are used:

(a) The Trust Company's Correspondents have available authorised model certificates of incorporation. Using these models (minor changes may be made), incorporation procedures can be completed by the Trust Company upon receipt of cabled instructions from its Correspondents.

(b) The Trust Company will provide *incorporators* and *original directors* when requested, at no additional charge. This service eliminates the necessity for authentication by a local notary and Liberian consul.

The *incorporators* provided by the Trust Company customarily subscribe to a nominal one share of stock each. Attorneys may specify the number of shares to which the incorporators in Liberia should subscribe.

If the Trust Company provides *original directors* it is the practice for them to resign immediately after the company is formed.

(c) If instructed by the client, incorporators will hold a First Meeting of Incorporators and Subscribers to transfer their stock subscriptions to

¹ Corporation Law, ss. 4 and 37 to 40.

designated recipients, to appoint new directors and/or to adopt By-Laws. By-Laws need not be filed in the public records.

(d) If instructed by the client, original directors will hold a First Meeting of Directors to appoint corporate officers. Minutes of Corporate meetings need not be filed in the public records.

(e) When processing is completed, the Trust Company will return the approved certificate of incorporation, and other related documents.

2 Other Legal Entities

Other legal entities are not relevant for the purposes of the present chapter. Inquiries should be addressed to the Trust Company or its Correspondents.

III TAXATION

1 Residents

The tax liability of persons resident in Liberia is set out in the Liberian Internal Revenue Code. It is not relevant in the present context.

2 Non-residents

Liberia has a modern tax law designed to attract incorporation of Liberian companies by foreign investors. Under this law Liberian corporations do not incur income tax liability in Liberia:

- (i) if more than 50% of the corporate stock is held by non-Liberians residing outside Liberia; and
- (ii) if corporate income is derived from sources outside Liberia.

Liberia does not impose a tax on dividend remittances.¹

A withholding tax may be levied on interest, dividends, etc. when such income arises from sources within Liberia.²

Dividends paid by one Liberian corporation to another Liberian corporation, both of which are "non-resident", are not subject to Liberian tax if the income arises from sources exempt from Liberian tax.³

Incorporation and annual taxes and duties are discussed above.⁴

IV EXCHANGE CONTROL

There are no currency regulations or exchange controls exercised by Liberia.

¹ The classes of income exempt from Liberian income tax are set out in the Internal Revenue Code, s. 140.

² Internal Revenue Code, s. 154.

³ Internal Revenue Code, s. 140; and ruling from Deputy Commissioner of Internal Revenue.

⁴ See *Costs* at pp. 5 to 6.